

Endeavor Communications

Separations Category Freeze Discussion

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Have no fear. Endeavor is here.



Who is Endeavor?

- Clay County Rural Telephone Cooperative d/b/a Endeavor Communications
- Central Indiana, 9 exchanges and 9,000 access lines
- Full array of services - voice, Internet, video, security



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Frozen Categories Discussion

- Quick procedural history of Endeavor's frozen category issue
- Endeavor impacts from frozen categories – historical and forecast
- Endeavor abbreviated responses to recent NPRM questions
- Next steps for Endeavor if categories remain frozen



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Procedural History Timeline

- 2001 – Endeavor voluntarily elects to freeze jurisdictional categories
- 2004-14 – Endeavor directly assigns DSL investment rather than allocating based on frozen categories – practice is never questioned in course of NECA annual review or through 2 uneventful USAC audits
- 2015 - NECA challenges the practice in October for the 2013-14 filings
 - Revisions reduce net settlements & USF in '13-'14 by \$670k, and in '15 by \$478k
- 2016 - Endeavor seeks clarification on ability to directly assign DSL cost – petition is still unresolved and outstanding today

July 2018 - FCC issues NPRM on freeze extension and opt out proposal



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Frozen Category Percentages 2003-2017

1.3	Exchange Line	82.98%	Outside Plant
2.1	WB Trunks	1.43%	
2.2	Non-WB & EAS Trks	5.91%	
3.0	IX Trunks	9.68%	
4.11	Wideband	7.75%	Circuit Equipment
4.12	Exchange Trunk	17.00%	
4.13	Exchange Line	62.10%	
4.23	Other IX Circuit	13.15%	



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Endeavor Plant Investment

Re-categorization Estimate (if Unfrozen)

	2017 Frozen	2017 Unfrozen (Est.)*	
1.3 Exchange Line	82.98%	93.16%	Outside Plant
2.1 WB Trunks	1.43%	2.17%	
2.2 Non-WB/EAS Trks	5.91%	1.67%	
3.0 IX Trunks	9.68%	2.47%	
4.11 Wideband	7.75%	37.50%	Circuit Equipment
4.12 Exchange Trunk	17.00%	2.00%	
4.13 Exchange Line	62.10%	58.50%	
4.23 Other IX Circuit	13.15%	2.00%	

*Unfrozen factors derived from surrogate unfrozen client data



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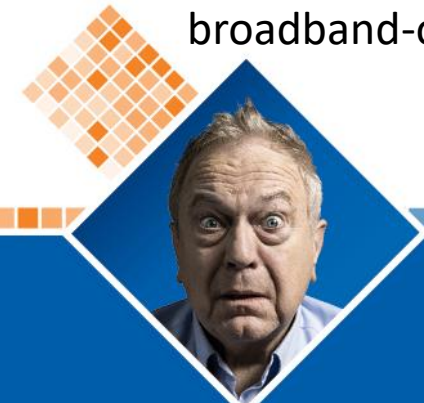
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Abbreviated NPRM Responses

Freeze undermines migration toward broadband

- Without an opportunity to unfreeze and re-categorize investment levels, Endeavor's eligibility for broadband support is significantly diminished as compared to similarly situated carriers.
- The freeze, combined with the BCM, is currently reducing cost recovery for by Endeavor despite significant investments in fiber.
- As currently applied to Endeavor, the freeze undermines incentives to promote broadband-only services.



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Abbreviated NPRM Responses

Services and Pricing

- Endeavor's SPA rates are determined by the NECA SPA pool. Re-categorization will impact pool rates, but Endeavor is not able to accurately predict how their change in investment levels might impact NECA's rate band assignments.
- Endeavor believes that the 50 rate bands used by NECA in assigning SPA rates provide a good surrogate for underlying company cost structures.



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Other NPRM questions of note

Should the FCC require the freeze withdrawal or offer a voluntary opt out?

Endeavor plans to opt out voluntarily, so either option is acceptable.

One-time opportunity or anytime opportunity to withdraw freeze election

Endeavor is fine with either alternative – we plan to use the opportunity, if provided.

Use of 2011 cost study data (unfrozen) to determine BPR impact?

CPR data unavailable, and would be difficult to recreate. Any adjustment should be prospective only because it would otherwise ignore the HCLS/ICLS prior impacts that should be recognized as well.



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Next Steps for Endeavor

- If an opportunity is provided for Endeavor to unfreeze categories, we will withdraw our freeze election, and withdraw the pending 2016 petition.
- If the opportunity to withdraw the freeze is not provided via the NPRM process, Endeavor would like to discuss other options with the FCC to achieve a comparable result.



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